



TESTIMONY OF
MARK B. MCCLELLAN, MD, PHD
ADMINISTRATOR
CENTERS FOR MEDICARE AND MEDICAID SERVICES
BEFORE THE
HOUSE COMMITTEE ON WAYS & MEANS
HEARING ON
MEDICARE PRESCRIPTION DRUG BENEFIT

June 14, 2006



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Chairman Thomas, Congressman Rangel, distinguished committee members, thank you for the opportunity to provide an update on the new Medicare prescription drug coverage, and especially the unprecedented outreach and education campaign the Centers for Medicare & Medicaid Services (CMS) undertook to maximize enrollment. I appreciate your interest in this topic, but more importantly I am very grateful for your personal assistance and that of many of your colleagues in driving the awareness of and enrollment in Part D. Members of Congress from both parties have been an important part of this massive grassroots education effort, for example, by supporting enrollment events sponsored by CMS and our thousands of partners throughout the country. As a result of this undertaking an estimated 38.2 million beneficiaries – about 90 percent of people with Medicare – have drug coverage as of June 11, 2006. I am very hopeful that this partnership we have created can continue as we begin to drive greater awareness and use of the preventive benefits which the Congress included in the Medicare Modernization Act (MMA).

The broad participation of beneficiaries with relatively low drug costs, coupled with the overwhelming popularity of plans with low premiums and generally slower growth in drug costs, has lowered costs for Medicare. Beneficiaries selected plans that best met their needs, and often the plans they picked were not the standard benefit as designed in the MMA. Competition is working. Plans bid lower than expected, thereby helping to lower premiums to an average of less than \$24 per month. The initial implementation of the new Medicare prescription drug benefit is complete. People with Medicare have access to the drugs they need most and are seeing significant savings as never before. In

addition, people with Medicare have chosen plans that fit their coverage needs better than the “standard” benefit enacted by Congress, including coverage with no deductibles, flat copayments, and filling in the “coverage gap.” As you know, change of this magnitude, to a program such as Medicare, in such a short time span is bound to encounter some difficulties. While considerable progress has been made in resolving start-up issues, CMS is very concerned about anyone who has experienced problems in obtaining their medicines. We have been and are continuing to take action to address these issues as they arise so that all beneficiaries enrolled in a Medicare prescription drug plan can obtain their medications without incident.

CMS also is preparing for next year and has taken numerous steps to improve the prescription drug program for Medicare beneficiaries. For example, CMS has worked with pharmacists to improve data systems and simplify business processes between pharmacies and the Medicare prescription drug plans, such as using standard denial notices with sufficient information to explain those denials. We have issued guidance in several key areas that stresses our commitment to plan sponsor oversight. For example, CMS issued guidance to outline CMS’ expectations of plans bidding to sponsor a prescription drug plan for the upcoming contract year. Recently, based on feedback from both beneficiaries and the health care industry, CMS released draft guidelines for 2007 on how organizations and their representatives may market their Medicare prescription drug plans to beneficiaries. One of the key changes in those draft guidelines is that Medicare prescription drug plans will not be permitted to place co-branding names and/or logos of providers on their member identification cards. This change will help prevent beneficiary confusion.

CMS will continue its strong commitment to oversight by monitoring and tracking plan compliance and performance. CMS will thoroughly review, investigate and resolve any reports of non-compliance. CMS has collected first quarter data in a number of areas and will use that information to monitor and track plan compliance and performance.

CMS and Partners Conducted Extensive Outreach and Education for Beneficiaries

CMS is pleased that about 90 percent of people with Medicare are receiving prescription drug coverage. This is due in large part to our multi-pronged strategy for educating and enrolling people in the new drug benefit. We realized early on that as we developed our outreach efforts, we would not be able to rely solely on traditional communication tools.

Before implementation of the drug benefit, CMS provided most information directly to beneficiaries using traditional tools, including the *Medicare & You* handbook, and standard information through 1-800-MEDICARE, and www.medicare.gov. While these more traditional tools would still play a valuable role in our efforts, CMS saw the need to develop new, more personalized strategies in order to reach a wider audience and to target specific, hard-to-reach populations, including those in rural areas and minority communities. In addition to print, radio and television advertisements, CMS implemented a multi-pronged approach to raise awareness and assist beneficiaries and their caregivers in making decisions about prescription drug plans.

CMS designed its Plan Finder tool to give people with Medicare specific, personalized information. Upon entering the medications they take, beneficiaries received information on the exact premiums, co-payments and annual deductibles they would be subject to under any of the plans available in their area. They were also given a figure showing their total annual expenses under each of those plans. The Plan Finder tool also provided information on the precise savings available to them by switching to generic medications. They might also look at coverage and savings available through a Medicare Advantage plan. This information, uniquely tailored to that beneficiary's inquiry, could then be used to make an informed, personal decision. To help get this valuable information in the hands of our beneficiaries, however, we needed to provide them with a high level of one-on-one help.

When developing the Plan Finder, CMS worked with a professional website development contractor and engaged in a number of rounds of consumer testing to obtain feedback on the usefulness and simplicity of the tool. To ensure the continued accuracy of the

information available through Plan Finder, CMS conducts thorough and ongoing analysis of the plan pricing data, pharmacy network, and formulary information. If problems are found with a plan's data, CMS has the ability to suppress information until it is corrected and can be properly displayed. This tool has been extremely successful in providing people with Medicare, their caregivers, and CMS' partners with clear, accurate and timely information to help them learn about and enroll in drug plans. This tool was vital to our enrollment efforts. About 3.6 million people enrolled in a plan through the Plan Finder. This accounts for more than one-third of all individuals who voluntarily selected and enrolled in a plan.

CMS knew from the outset that it was essential to provide beneficiaries with more hands-on assistance than was available in our traditional educational materials, through outreach events and one-on-one training. These outreach efforts would have to include high-touch and high-tech elements, with high-tech resources like the personalized Plan Finder web-based tool for use by our partners and beneficiaries, as well as high-touch efforts involving one-on-one personal contacts using an intricate web of grassroots partners collaborating and leveraging each other for the maximum benefit of people with Medicare. We believe that one-on-one counseling is important for people with Medicare to make confident decisions about their Medicare prescription drug coverage. To develop this grassroots network, CMS reached out to organizations that have contact with people with Medicare on a daily basis. To reach beneficiaries "where they work, live, play, and pray," we sought to involve individuals and institutions such as employers, churches and synagogues, financial advisors and community centers. By expanding beyond our traditional partners such as beneficiary and caregiver groups and CMS' regional office structure, we ensured that people with Medicare could receive necessary education and enrollment assistance at the community level.

CMS began reaching out during 2004 to develop these partnerships, and now the network is incredibly diverse and committed. For several months, we held training sessions throughout the country to educate our partners about the benefit structure and available enrollment tools so they could help raise awareness with, educate and enroll

beneficiaries. CMS provided special training for social service coordinators to help them counsel low-income seniors. CMS relied heavily on our partner organizations to work with beneficiaries on a one-on-one basis.

We recognized that to achieve the promise of the MMA we would need to reach all segments of the Medicare population, especially underserved populations and those with language and other cultural barriers. To target these hard-to-reach populations, including minority, low-income, limited English-speaking, homebound, and rural populations, CMS has a contract with the National Association of Area Agencies on Aging. Strategies included contracting with Aging Network community-based organizations and nine National Aging Organizations with local affiliates to conduct outreach to low-income populations. As a major part of this targeted outreach, we developed specialized campaigns for the African-American, Hispanic, American Indian, Asian-American and Pacific Islander communities, utilizing new partnerships, creating materials in other languages, and doing specialized paid media campaigns. Currently, the proportion of minority enrollments in Part D exceeds the proportion of minorities in the overall population, indicating that our focused outreach efforts have been very successful.

More than 40,000 volunteers in communities across the country worked during the enrollment period, counseling beneficiaries and sponsoring events to help people with Medicare. During the entire open enrollment period from November 15, 2005 through May 15, 2006 our grassroots partners sponsored more than 50,000 Medicare events and opportunities for people to receive personalized assistance. Several thousand of these events were held during the last weeks of the enrollment period. Thanks to our national and local partners Medicare now has a permanent grassroots program, which will continue its efforts to encourage full use of the prescription drug benefit and begin helping our beneficiaries take advantage of the important new preventive benefits made available under the MMA.

As always, customer service is a priority at CMS to ensure beneficiaries and our partners are given accurate, timely information. With implementation of a brand new part of

Medicare, CMS understands that people with Medicare, their families, doctors, and pharmacists will have questions about the new Medicare drug benefit. CMS' 1-800-MEDICARE Call Center has customer service representatives (CSRs) available to answer Medicare questions 24 hours a day, seven days a week with assistance in English, Spanish and other languages as well. CMS' helpline and www.medicare.gov have served as critical tools for beneficiaries, caregivers, and enrollment assistance centers to sign up for the benefit themselves or assist those they serve in doing so.

CMS' 1-800-MEDICARE line handled more than 27.5 million calls between November 15, 2005, and May 31, 2006. On May 15, 2006, the last day of the enrollment period, we handled nearly 650,000 calls. Call volume to 1-800-MEDICARE and use of the online enrollment center reached record levels on May 15 and was 58 percent higher than any other period of operation. The Agency takes great care in answering calls to 1-800-MEDICARE as promptly as possible and providing accurate, useful information to callers. Because of the great interest in the new drug benefit, call wait times have occasionally been longer than we would like. However, CMS has worked diligently to improve the wait times and I am pleased to say that current wait times are generally less than two minutes.

Lower Medicare Costs for Part D Estimated

CMS now projects lower than expected Part D expenditures. In 2006, beneficiary premiums are expected to average less than \$24 a month – down from the \$37 projected in last July's budget estimates – and the overall cost to taxpayers for 2006 has dropped about 20 percent since the July 2005 estimate, according to the CMS Office of the Actuary. The savings result from significantly slower than expected growth in drug costs generally in 2004 and 2005, which contributes to lower costs per beneficiary; the drug benefit complementing rather than replacing other sources of coverage, such as from employers; and, strong competition plus informed beneficiary choices leading to greater savings by beneficiaries choosing plans with greater price discounts, manufacturer rebates, and effective utilization-management savings by the drug plans.

Beneficiaries are tending to select low premium plans, and the vast majority has chosen plans other than the standard benefit. The availability of low-cost plans in every region contributed to the surge in PDP and MA-PD enrollment during the weeks leading up to the initial enrollment deadline. Substantial enrollment in Part D means that the risk pool for plans will not be unduly skewed toward those who have high demand for prescription medications. As a result, costs for the program will be moderated by those who pay their premiums, but do not need large amounts of medications. As with any insurance program, this spreading of the risk lowers costs for all involved and strengthens the ability of insurers to maintain a viable benefit in a competitive marketplace in the future.

For the 10-year period from 2006 to 2015, the net total cost of the drug benefit to Medicare is now estimated to be about \$180 billion less - \$746 billion compared to an estimated \$926 billion last year.¹ In addition, the state phase-down contributions are now projected to be \$39 billion (about 29 percent) less over the 10-year period.

It is important to note that the success of Part D does not eliminate the substantial issues with Medicare in general. Growth in Parts A and B exceeds previous estimates and Medicare is projected to have a long-term negative impact on the Federal Budget of \$32 trillion over the next 75 years.

Medicare Beneficiaries with Drug Coverage Tops 38 Million

Of the estimated 42.6 million beneficiaries eligible for Medicare prescription drug coverage as of June 11, 2006, an estimated 38.2 million have drug coverage. This represents the estimated total number of beneficiaries with drug coverage through Medicare Part D (PDPs), Medicare Advantage plans with prescription drug coverage (MA-PDs), the Medicare retiree drug subsidy (RDS), Federal retiree coverage, or other sources of creditable coverage, such as the Veteran's Administration (VA). Some have argued that we should not be counting those who are not specifically covered under Part D. However, one of the intents of the MMA was to help beneficiaries who already had

¹ The 2006 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

drug coverage continue it, so they would not need to transition to Part D so long as their coverage was as good as, or better than what Medicare had to offer – keeping Medicare costs down while preserving and supporting coverage, such as from former employers, that beneficiaries prefer. This saves money for the taxpayers, and it avoids disruptions for our beneficiaries who already have comparable coverage because they can simply continue with what they have.

The estimated total number of beneficiaries with drug coverage (38.2 million, including those with alternative creditable coverage) increased by more than 2 million between May 1 and the enrollment deadline due to the surge in enrollment in Medicare prescription drug plans and Medicare Advantage plans. Currently, about 32.8 million beneficiaries have drug coverage through PDPs, MA-PDs, employer/union retiree plans that qualify for the RDS, or Federal retiree coverage.

Total Medicare Beneficiaries with Drug Coverage

As of 6-11-2006

Description	June
	(millions)
Drug Coverage from Medicare or Former Employer	
Stand-Alone Prescription Drug Plan (PDP)	10.37
Medicare Advantage with Prescription Drugs (MA-PD)	6.04
Medicare-Medicaid (Automatically Enrolled)	6.07
Medicare Retiree Drug Subsidy (RDS)	6.90
FEHB Retiree Coverage	1.60
TRICARE Retiree Coverage	1.86
TOTAL	32.84
Additional Sources of Creditable Drug Coverage	
Veterans Affairs (VA) Coverage	2.01
Indian Health Service Coverage	0.11
Active Workers with Medicare Secondary Payer	2.57
Other Retiree Coverage, Not Enrolled in RDS	0.10
State Pharmaceutical Assistance Programs	0.59
TOTAL	5.38

More than 22.5 million beneficiaries are enrolled in Part D plans (PDPs and MA-PDs), including 10.4 million in stand-alone PDPs, about 6.0 million in MA-PDs, and 6.1 million full-benefit duals who were automatically enrolled.

Approximately 6.9 million beneficiaries are in employer/union retiree plans that are participating in the RDS program. This includes 1.5 million in employer/union group waiver plans that incorporate Medicare drug coverage, and another 400,000 who are in individual market Part D plans with stand alone employer/union wraparound coverage.

There are an estimated 3.5 million beneficiaries with Federal retiree drug coverage through the Federal Employees Health Benefit program (FEHB) and TRICARE. This number has been revised from earlier estimates, as we have adjusted the number to account for the relatively small number of Federal retirees who have enrolled in a Part D plan.

More specifically, there are an estimated 1.6 million beneficiaries with FEHB retiree coverage. This figure is based on Office of Personnel Management (OPM) data on the actual number of annuitants with Medicare coverage and OPM's estimate of spouses with Medicare who are covered under a FEHB family policy. It excludes an estimated 32,000 beneficiaries who also are enrolled in Part D, based on OPM information on annuitants in FEHB plans.

In addition, there were an estimated 1.9 million beneficiaries with TRICARE retiree coverage, based on data provided by the Department of Defense (DoD). This number excludes about 133,000 people who were found to be enrolled in Part D plans based on a person-level data match.

Enrollment Also Accounts for Additional Sources of Prescription Drug Coverage

There were an estimated 5.4 million beneficiaries with creditable drug coverage (e.g., coverage that is at least as good as the Medicare Part D defined standard benefit) through an alternative source as of June 11, 2006. This number is based on the best available

information about beneficiaries with drug coverage through the Department of Veterans Affairs, Indian Health Service (IHS), active worker employer group health plans, and retiree plans not participating in the retiree drug subsidy, and State Pharmaceutical Assistance Programs (SPAPs) who are not enrolled in Part D.

Creditable coverage through the above mentioned groups is estimated as follows:

- Veterans Affairs (VA) – There are an estimated 2.0 million beneficiaries with creditable drug coverage through the VA who have not signed up for Part D. About 1 million VA beneficiaries enrolled in a Part D plan, and about 400,00 are receiving drug coverage from an employer receiving the Part D subsidy. These numbers are based on a sample person-level match provided by the VA.
- Indian Health Service (IHS) Coverage – There are about 100,000 beneficiaries with creditable drug coverage through the IHS who are being served by I/T/U pharmacies in 28 States. These beneficiaries are not required to enroll in Part D, and have a disincentive for signing up because they might experience increased co-payments.
- Active Workers with Medicare Secondary Payer – There are nearly 2.6 million beneficiaries with creditable drug coverage through an employer group health plan.
- Other Retiree Coverage – An estimated 0.1 million retirees are continuing in retiree coverage who are not already included in the other retiree coverage categories. Some of these retiree plans may apply for the Medicare retiree subsidy in their next full plan year, while others may have only a limited number of eligible retirees so that the financial impact of the RDS is small.
- State Pharmaceutical Assistance Programs – An estimated 0.59 million beneficiaries are continuing to receive creditable coverage through State SPAPs. The estimate is based on information from four state SPAP programs that have creditable coverage and are not requiring enrollment in Part D plans in order to retain SPAP coverage (NJ, NY, PA, and WI) and a person level match of SPAP files with Part D enrollment files.

Currently, we estimate that about 11.6 million people have enrolled in Medicare Part D since the program began, including more than 1.2 million new enrollees in Medicare Advantage plans. In addition, other Medicare Advantage beneficiaries have more comprehensive and secure coverage, without benefit caps or limited formularies.

CMS estimates there are 13.2 individuals whose income and assets are limited such that they would potentially qualify for the low-income subsidy. Current enrollment estimates for LIS eligible beneficiaries is detailed in the chart below.

LIS-Eligible Medicare Beneficiaries with Drug Coverage

As of 6-11-2006

Description	Total LIS-Eligible Beneficiaries
	(millions)
Total Beneficiaries Eligible for Low-Income Subsidy 1/	13.2
Less: Drug Coverage from Medicare or Former Employer 2/	9.3
SSA LIS Approved	1.8
Other Deemed Full/Partial Duals and SSI Recipients	7.5
Less: Additional Sources of Creditable Drug Coverage 3/	0.5
Veterans Affairs (VA) Coverage	0.3
Indian Health Service Coverage	0.1
SPAP Wraparound Coverage	0.1
Less: Anticipated Facilitated Enrollments 4/	0.1
TOTAL Remaining LIS-Eligible Beneficiaries	3.3

1/ CMS estimate based on analysis of updated SIPP and CPS survey data.

2/ CMS Management Information Integrated Repository (MIIR), June 11, 2006.

3/ CMS estimate of beneficiaries receiving coverage from other sources, June 2006.

4/ LIS-approved beneficiaries expected to be included in the next round of facilitated enrollments. CMS Management Information Integrated Repository (MIIR), June 11, 2006.

It is possible that some of the eligible beneficiaries who are not enrolled may have drug coverage through other sources that are not reflected in our enrollment estimates. For example, some may have opted to continue receiving drug coverage through Medigap plans (most of which are not creditable).

That means that for the first time in the history of the Medicare program about 90 percent of our beneficiaries have drug coverage either through Part D or another source that is just as good. This is great news since prior to the implementation of Part D, as although

some beneficiaries had some type of drug coverage before Part D was implemented, not all of them had coverage as stable and comprehensive as what is now available through the Medicare prescription drug benefit. Often, these beneficiaries either had intermittent coverage, or had plans with higher premiums or less generous benefits.

Building On Larger-Than-Expected Savings from Strong Competition and Informed Beneficiary Choices

The new drug benefit enables Medicare to take steps to assure that beneficiaries get quality coverage at the lowest possible cost. Based on this year's experience with strong competition and informed beneficiary choices, Medicare will use its authority now in a way that will allow low-income beneficiaries to continue to have multiple zero premium drug plan options next year. Our intent is to determine how to make adjustments as necessary to moderate premium increases for all beneficiaries during the transition. We expect that this will result in premiums that will increase on average by about medical inflation, but that will depend on the actual plan bids, which we currently are starting to review.

To promote effective competition that builds on the savings achieved through beneficiaries' own choices this year, Medicare will implement a transitional approach to determining the federal contribution toward the premiums for the drug benefit for low-income Medicare beneficiaries in 2007. In particular, we will conduct a transition from the method of calculating the premium subsidy in 2006, before the unexpectedly high level of competitive savings in the drug benefit was observed, to the "weighted-average" method based on actual plan enrollments and costs. The transitional approach means low-income beneficiaries will have greater stability in their zero-premium plan options, and it provided an additional incentive for plans to bid low to continue to serve low-income Medicare beneficiaries.

Medicare will also review the plan bids for 2007 to determine if transitional methods for determining the government's premium contribution for all beneficiaries are necessary to avoid any disincentives for beneficiaries to enroll in low-cost plans, which led to much

lower costs than expected this year. We will evaluate the impact of the transitional approach for determining zero-premium choices for low-income beneficiaries, and any other transitional methods, to ensure that we are able to provide the most effective support for high-quality, low-cost drug coverage.

CMS Reaches Out to Low-Income Beneficiaries

We estimate that about 3.3 million of the beneficiaries who have yet to enroll are eligible for the low-income subsidy. CMS is continuing its outreach activities to low-income individuals. Anyone found eligible for the low-income subsidy will be able to enroll immediately rather than waiting for the next open enrollment period. In addition, beneficiaries eligible for the low-income subsidy who enroll during this special enrollment period (SEP) will not face a premium penalty for late enrollment. CMS is also working with Part D plans to identify and provide information about the low-income subsidy to beneficiaries who are enrolled in a plan and may qualify for the subsidy, but have not applied.

CMS coordinated with the U.S. Census bureau to identify counties with large numbers of potential LIS-eligibles and compared these data to enrollment figures to identify counties where a lower percentage of LIS-eligible beneficiaries are enrolled. CMS will focus future grassroots outreach efforts in these areas.

These beneficiaries are scattered throughout the country and are more likely to be isolated and members of minority groups. Because of these factors, they are traditionally hard to reach due to barriers posed by literacy, geography, language, or culture. Therefore, CMS' outreach and education initiatives are designed to identify remaining LIS-eligible beneficiaries who have not yet applied for the LIS or joined a plan; ensure that these beneficiaries complete the LIS application process; and encourage them to make an active choice to select a Medicare drug plan. CMS will strive to coordinate to the fullest extent possible with relevant federal, state and local partners on all outreach efforts.

To ensure that every person with Medicare who qualifies for the LIS gets subsidized Medicare prescription drug coverage, CMS outreach efforts to this critical population will be data-driven, with focus on identifying LIS-eligible populations at the state, county, community and individual level. Once these individuals are located, CMS will use a multi-pronged education and outreach campaign that will include direct mailings, telephone calls, and local outreach from community groups, intergovernmental partners, health care providers and pharmacists. Many beneficiaries may be difficult to reach through traditional means. Therefore, CMS has special initiatives for both minority beneficiaries who live in urban areas and beneficiaries in rural areas who may be isolated from general community outreach efforts. For example, CMS is working with National Medical Association and the National Association for the Advancement of Colored People (NAACP) to reach areas with the greatest number of LIS-eligibles. CMS also is working with churches in rural and minority communities to continue to provide education on the LIS and Medicare's preventive benefits.

CMS plans to continue to review every source of available data to identify potential LIS-eligibles at the state, local, and individual level whenever possible. Coordination with SSA, the States, and other partners will be critical to the success of these efforts. For example, CMS continues to meet with a range of partners, including providers, pharmacists and community-based organizations around the country, including schools, small businesses, senior-centers, community centers, churches, and other faith-based groups. By working with such groups, CMS can continue to refine and implement a detailed plan that leverages combined resources to maximum effect, with initiatives such as enrollment events, health fairs, personalized counseling, and laptop distribution planned in targeted areas.

The CMS partnership with SSA is critical to reaching the LIS population. SSA will continue their extensive LIS outreach efforts through targeted education and application events, in addition to direct mailings and follow-up phone calls to likely LIS-eligibles. CMS plans to coordinate closely with SSA with personalized grassroots outreach.

In addition, the National Council on the Aging (NCOA) is using a CMS-funded grant to reach and qualify beneficiaries for LIS, and enroll beneficiaries. The project involves use of tailored, list-driven interventions to identify and enroll eligible beneficiaries. To date, a pre-test mailing of 15,000 (one percent of the 1.5 million names identified thus far) has been completed, with 70 percent of those contacted applying for the LIS.

CMS continues to send deemed, auto, and facilitated enrollment notices on a monthly basis to beneficiaries who automatically qualify for the LIS. CMS also is updating a number of printed fact sheets and tip sheets to inform beneficiaries and our partners about the LIS, and these will continue to be disseminated through public and partner events. A number of earned media tactics are being considered to continue disseminating LIS messages through the media in targeted geographic areas, including public service radio announcements, TV/radio appearances by CMS spokespersons, and articles for newspapers and other community news outlets.

CMS Prepares for 2007

Since the initial start-up of the Medicare prescription drug benefit, CMS has provided plan sponsors with information on additional procedures and best practices that should be implemented in 2006 to meet our requirements. CMS expects these procedures and practices to be used in 2007. In preparation for its review of plan bids for 2007, CMS issued guidance on how organizations should bid and contract for the upcoming contract year. For example, in a letter to plan sponsors, CMS clarified policy statements developed in response to lessons learned during the Part D program implementation. The letter also restated existing program requirements and provided additional information about the PDP contract renewal process for 2007.

CMS also issued guidance on what is expected of plan formularies and transition policies. When reviewing plan formularies, CMS will ensure plans offer a comprehensive array of drugs that reflects best practices in the pharmacy industry, as well as current treatment standards. We expect plan formularies and benefit designs to include the full range of treatment options and, at the same time, reflect drug benefit management tools that are

proven and in widespread use in prescription drug plans today. In reaching this goal, we also need to account for the specific needs of individuals who are already stabilized on certain drug regimens. An effective transition process for new enrollees must ensure timely access to needed drugs while allowing for the flexibility necessary for Part D plans to develop a benefit design that promotes beneficiary choice and affordable access to medically necessary drugs. We will review each plan sponsor's transition process as part of our plan benefit design review. CMS will continue to work with prescription drug plan sponsors as they prepare for 2007.

CMS Pivots to Prevention

CMS is committed to promoting the appropriate use of Medicare preventive benefits, which include a number of new services. For example, in the last two years, Medicare has added a "Welcome to Medicare" preventive physical examination, cardiovascular blood screening tests, diabetes screening, and smoking and tobacco use cessation counseling. These preventive services help prevent the onset of a disease, provide an opportunity for an early diagnosis, and help providers work with beneficiaries on a disease management plan so complications can be avoided. However, not all people with Medicare take full advantage of these new services, which have the potential to save thousands of lives and avoid significant medical expenses in preventable medical conditions. To address this "prevention gap" CMS is collaborating with a number of partners, such as the American Heart Association, the American Cancer Society, and the American Diabetes Association, to develop educational materials.

Since November 15th, 10,000 grassroots partners sponsored over 50,000 Medicare events and opportunities for people to get personalized assistance. More than 40,000 volunteers in communities across the country worked during this enrollment period counseling beneficiaries and sponsoring events to help people with Medicare.

It's for these reasons that we're using the same grassroots networks and personalized support systems so successful in drug benefit enrollment to improve the effective use of other preventive benefits in Medicare. The steps we've taken to bring the drug benefit

on-line, including community-based outreach, unprecedented partnerships, and much greater support for beneficiaries and caregivers, will be a permanent part of the Medicare program.

Conclusion

Thank you for the opportunity to discuss the Medicare prescription drug benefit and our activities to prepare for next year. While we are pleased that millions of Medicare prescriptions are being filled every day, we are going to continue working to ensure every person with Medicare can use their coverage smoothly. I am happy to answer any questions you may have.